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**9. ABSTRACT**

Since 1971, the Office of Housing of AID has been conducting preinvestment surveys in countries where housing investment guaranty programs are anticipated in order to provide the background and framework for its intervention. These surveys are, in fact, increasingly sophisticated analyses of the shelter sector of each country. Each report is intended to provide the Office of Housing with the information necessary to enable it to answer three primary questions about a specific country:

- . What is the country's capacity to undertake a large-scale housing program?
- . What is the effective demand for housing at a given price level?
- . What is the country's capacity to repay a foreign loan?

To paraphrase the introduction to the scope of work for a recent survey, its objectives are to determine the need for housing at all socio-economic levels of society, to determine the ability of each socio-economic group to pay for housing; to assess the capabilities of the Government to plan and manage large scale housing programs and projects; to analyze the impact of large scale foreign borrowing on the country's economy and its ability to repay; and to assess the ability of the country to absorb large sums of money into the shelter sector industries.

These objectives have been realized with varying degrees of success. Some of the more recent surveys, in particular, provide broad panoramas of the country housing sectors. Some of the earlier ones are more limited in scope and cover only a part of the sector.

These reports provide valuable orientation for anyone becoming involved in housing sector in one of these countries. They should also be useful for comparative studies of housing programs and policies on a regional or world-wide basis.

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# AGENCY FOR INTERNATIONAL DEVELOPMENT



## OFFICE OF HOUSING

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PRE INVESTMENT  
SURVEY REPORT  
HOUSING GUARANTY  
PROGRAM  
IRAN, 1972

PRE-INVESTMENT SURVEY  
for  
IRAN  
HOUSING GUARANTY PROGRAM

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## INTRODUCTION

Pursuant to the Government of Iran's ten (10) year Housing Development Plan (PLAN) to provide substantial new construction of homes for middle and low income families, the Government of Iran (GOI) is submitting its formal request to A. I. D. for additional financial and technical assistance. This follows A. I. D. 's recent authorization of a \$25 million guaranty for a housing project being sponsored by the Industrial Development and Renovation Organization (IDRO).

The material being utilized in preparing the Plan has been made available to A. I. D. 's Office of Housing. In addition, discussions between the respective representatives of the GOI and A. I. D. 's Office of Housing have been held with reference to GOI plans; its expected needs and aims for future development in the housing sector.

The housing survey report which follows sets forth a study and review of the Plan, including supporting data and housing survey team recommendations with respect to the role that A. I. D. 's Housing Guaranty Program can play in the realization of the GOI's housing aims during the first two (2) years of the GOI housing program.

## IRAN: HOUSING SURVEY

### PART I: FINDINGS AND RECOMMENDATIONS

#### A. BACKGROUND

##### 1. Geography

Iran is located on the Iranian Plateau in the north temperate zone. Its area is 628,000 square miles, more than half consisting of high mountains and semi-arid plateau. The country suffers frequent earthquakes.

##### 2. Population

The 1970 population was estimated at 30 million, of whom 43% lived in urban areas of 5,000 or more population. The growth rate is 3.2% per year, but urban areas are growing at 5.1% per year. The Government of Iran (GOI) has launched a family planning program with the goal of reducing overall population growth to 1% per year, and a program of decentralization of industrial development and the creation of alternative development poles throughout the country in order to reduce over-concentration in the capital city of Tehran.

##### 3. Economy

The economy of Iran has been expanding at a rapid rate since 1964/65. GNP in 1969/70 totaled \$8.4 billion, representing per capita income of \$280. In the last five years, GDP, in constant prices, has grown at an annual rate of 10 percent; per capita income has increased by 30 percent during the same period. Almost all sectors have shown considerable expansion: the growth rate of non-oil GDP was 9.5 percent for the five years ending in 1969/70; manufacturing grew by 14 percent and agriculture by 6 percent.

Growth of the industrial sector continued at a rate of 13 percent during 1970/71, mainly in the petrochemical, automotive, machine making, electrical and metallurgical sub-sectors. Permits were issued to 115 new industrial firms

and authorizations for establishment to 387 others. Once in full operation these industries are expected to employ 13,000 workers.

Iranian development policy calls not only for continued expanded industrial growth but also for deepening the industrial sector through a shift from investment in the assembly of imported components of products destined for consumption in the modern sector to investment in the production of capital goods.

Industrial decentralization, with which this policy is linked, also has brought to the forefront economic planning policy questions related to urban infrastructure and housing.

To maintain the current pace of development Iran will continue to require substantial foreign capital and will thus continue to incur foreign indebtedness. However, while the short-term component of total foreign debt has witnessed fluctuations, the long and medium term debt service ratio (debt repayment to foreign exchange earnings), which grew from 9 percent in 1964/65, is projected to remain close to its present level of 20 percent during the next several years. The manageable debt ratio is based on quite conservative estimates of oil earnings which comprise the most important component of Iranian exports, representing \$1.3 billion in 1970/71.

By the end of the disbursement period for the proposed housing loan (1973/74), Iran will have projected annual foreign exchange receipts of about \$3,275 million. The addition of approximately 2.3 million in annual long term debt servicing related to this loan will thus have a minimal effect on projected debt service ratios of less than .1%. This effect will be even less in future years as oil exports continue to rise at a rate of 10-12 percent/year.

## B. FINDINGS

### 1. The Need

Increased urbanization has created an acute urban housing

shortage in Iran. By 1982, when Iran's population is expected to total 38 million, 48.6% is expected to be urban. Meeting the estimated housing needs of the next 10 years requires the construction of two million units at different income levels and in different areas of the country during that time.

The need for housing is greatest in the low and low-middle income sectors of the population. Only two housing units exist for every three urban families; 69% of urban families live in one or two room units.

Until recently the GOI has not given highest priority to the development and implementation of a national housing policy which will contribute to the solution or alleviation of the critical housing shortage prevailing in the country, or to provide substantial financing or incentives.

## 2. GOI Policy

Iran's previous economic development programs have specified priorities in agriculture, education, health and industrial development. From the information and documentation received during the Survey it is evident that the GOI is presently going to incorporate into its Fifth Development Plan (1973-1977) a high priority to the nationwide development of much needed housing.

## 3. Proposed Institutional Development

The GOI is oriented not only to undertake a mass housing construction program but also to create and develop the institutional base needed in securing a steady flow of human and financial resources to the housing and urban development sector.

As proposed, the 10 year housing program represents a joint effort of the private and public sectors in housing and urban development. Moreover, the plan envisages consumer, labor union and community development participation and mobilization of capital through the recently-formed savings and loan associations.

The public sector plays a vital part in the 10 year plan. The Ministry of Housing and Development was created in 1964 to be the policy-

making organization for the program and to implement it through organizations under the Ministry's aegis, including the Mortgage Bank, the Housing Organization and the High Council for City Planning.

Private investment is an integral part of the plan, and the Ministry of Housing and Development has the responsibility of motivating private builders to undertake the planning and development of specific projects. A number of incentives are included in the program in order to secure a substantial input from the construction industry.

Consumer oriented organizations are a must in the program. The GOI is giving strong support to the formation of cooperative housing by making available funds through the Mortgage Bank and the Workers Welfare Bank at preferential interest rates and terms. The Workers Welfare Bank is actively working with the labor unions and credit unions in the provisions of housing finance for their members.

#### 4. Technical and Administrative Feasibility

The technical and administrative capabilities of the GOI institutions involved have been demonstrated by the successful implementation of other national projects to be sufficient to undertake the proposed program. With the phased implementation scheduled for the 10 year housing plan in general and of the two year Housing Guaranty program in particular, there should be no problem in expanding this capability to accommodate the program. The components of the private housing sector--professionals, the domestic construction industry, the local supply of basic construction materials, and the available labor supply--are adequate to support the growth required in response to a program of this magnitude.

#### 5. Need for Assistance

The accelerated schedule of the expected housing development program requires foreign financial and technical assistance. Financial

assistance is required, as for Iranian development investment generally, to meet the resource gap. Technical assistance has been requested and is recommended for program planning generally as well as in specific areas of project management. The country's resources and its repayment record indicate it can service the required foreign investment.

### C. RECOMMENDATIONS

The Minister of Housing and high officials in the Ministry have indicated a desire for A. I. D. financial and technical assistance in the formulation and implementation of the 10 year housing plan. The main areas in which A. I. D. could contribute are the following:

#### 1. Financial Support

This will be provided through the Housing Guaranty Program in the form of a \$50 million guaranteed loan, representing approximately 50% of the financing needed for the construction of 20,000 homes during the first two years of the plan. The homes will be constructed in various Development Poles and in Tehran and will be designed for marketing to the lowest three income groups in accordance with GOI procedures. The GOI will also provide 30% of the required financing, while 20% will come from local institutions (cooperatives, etc.) and from Iranian home buyers themselves.

#### 2. Technical Assistance

##### a) Overall Program Formulation and Implementation

Although the GOI has established the general basis for the 10 year plan, it strongly feels that U. S. experience and A. I. D.'s experience in other countries could be extremely helpful in making the program more responsive and flexible, thus facilitating realization of GOI's goal in the housing and urban development sector. This assistance should be provided at the Ministry level.

b) Specific Program Aspects

Savings and Loan Associations: The recently organized savings and loan system can benefit from the guidance to be given by A. I. D. based on the U. S. and Latin American experiences, particularly in areas relating to the stimulation of new savings.

Consumer Oriented Institutions - Cooperative housing credit unions and related community organizations are part of the Plan. A. I. D.'s expertise in the formation and development of these institutions could be of great assistance to the GOI.

Housing Management - Guidance on collections, administration of lease-purchase contracts, organization of Automatic Home Owners Associations, and general maintenance and management problems associated with the relatively new condominium apartment developments are other areas where GOI has indicated a felt need for technical assistance.

Architectural, Land Planning - Such assistance would serve particularly in the areas of site selection, design of lower cost units and techniques for lowering construction costs.

Part II: GOI 10-YEAR HOUSING PROGRAM AND MARKET

A. INTRODUCTION

Until recently GOI planning priorities did not extend to housing. Virtually no government funds were allocated to housing during the Third Development Plan (1963-67). Only 4 billion rials (\$153.2 million), representing 0.9% of GOI investment, were allocated for construction of institutional and low income housing in the Fourth Plan and 2.96 billion rials (\$138.7 million) were allocated for loans by the Mortgage Bank. Construction of housing was held to be more than 90% the responsibility of the private sector, but during recent years housing investment as a percentage of G.N.P. actually decreased (from 3.2% in 1964 to 2.3% in 1969).

GOI planning priorities have changed. The Ten Year Plan for Housing prepared by the Ministry of Housing and Development proposes a substantial increase in housing construction. From construction of 275,000 units under the Fourth Development Plan, the Ministry projects an increase in the national housing inventory of almost 500,000 units during the Fifth Plan (1973-77) and 1,300,00 units during the Sixth Plan (1978-82) by both public and private sectors.

The Plan states that "housing construction plays an important role in implementing social justice and closing the gap between income groups if it is based on clear policies and follows an acceptable strategy designed to benefit low income families."

The preliminary plan has been formulated to take into consideration:

- a) Population increase and urbanization.
- b) Housing needs of families at different income levels.
- c) Formation of development poles as part of the industrial development policy of the GOI.

The GOI has also established a general operational policy for implementation of its program.

B. HOUSING NEEDS

Increased urbanization has created an acute urban housing shortage in Iran. While overall population has been increasing at a rate of 3% per year, population of urban areas has increased at 5.1%. Where 33% of the population was urban according to the 1956 census (with 16% in the nine cities of 100,000 + population), the 1966 census showed that 40% of the population was urban and 23% lived in 14 cities of 100,000 + population. The 1970 estimated urban population of Iran represents 43% of the total. By 1982, 48.6% of Iran's projected population of 38 million is expected to be urban.

This increase in urban population has resulted in both a quantitative and a qualitative housing shortage. In urban areas, there were only two housing units for every three urban families, and the majority of these do not meet minimum standards. There is great over-crowding. The 1966 census showed that 40% of urban families live in one room, 29% live in two rooms, and 31% live in three or more rooms. With economic development, there is an increasing dissatisfaction with these living styles.

The GOI is currently formulating an overall policy to increase housing production over the next 10 years in order to eliminate doubling up and to provide one home for each family unit, guide housing investment in line with development objectives and to channel urban growth into development poles outside of the capital city of Tehran.

C. URBAN HOUSING PRIORITIES

The GOI has identified five urban sectors, in descending order of investment priority as follows:

1. Development Poles

The excessive growth of Tehran threatens to exceed the available supply of water for its population. Therefore, in addition to banning further industrial development within 120 km. of the city, the GOI has identified the following nine provincial cities as industrial development poles in which further industrialization and its consequent population growth will be concentrated:

Development Poles

<u>City</u>	<u>Population</u>	<u>Families</u>	<u>Housing Unit</u>
Esfahan	424,045	86,990	54,915
Mashhad	409,616	87,240	50,128
Tabriz	403,413	77,054	61,779
Shiraz	269,865	52,573	29,080
Ahwaz	206,375	35,430	22,532
Kermanshah	187,930	36,606	18,394
Ghazvin	88,106	17,015	9,944
Arak	71,925	14,048	8,758
Bandara-Bozh	<u>34,627</u>	<u>7,120</u>	<u>6,046</u>
Totals	2,905,902	414,075	261,576
		<u>-261,576</u>	
Housing Deficit		152,499	(1.59 families per housing unit)

(Data from 1966 Census)

A rate of population growth of 6% per annum has been estimated for these cities, which is greater than the overall rate of urban growth of 5.1%.

As of 1971 the GOI estimated the total number of housing units in these development poles at 332,884. Overall housing needs for the 10 years development plan total 821,761 or almost a two and a half fold increase in total housing supply.

2. Tehran

The capital city's estimated 3.8 million population in 1970 represented 14% of the country's total. Its recent growth has been at a rate of 6% per annum. Data from the 1966 census indicates that 622,767 families live in 395,811 housing units, a deficit of 226,956 units (1.57 families per unit). The Development Plan calls for construction of 715,561 housing units during the 10-year period representing an increase over the 1971 total of 480,513 of somewhat less than 150%, and an overall growth rate of 4% per annum.

3. Other Large Cities

Third order of priority will be given developmental needs of the following large cities:

<u>Other Large Cities</u>			
<u>City</u>	<u>Population</u>	<u>Families</u>	<u>Housing Units</u>
Rasht	143,557	30,013	13,934
Hamadan	124,167	24,976	13,504
Rezaiyeh	110,749	22,496	15,476
Kerman	85,404	17,167	13,671
Gorgan	51,191	9,870	6,411
Zahedan	<u>39,732</u>	<u>8,005</u>	<u>5,444</u>
Totals	554,790	112,527	68,440
		- <u>68,440</u>	
Housing Deficit		44,087 (1.64 families per housing unit)	

(Data from 1966 Census)

These cities will attract immigrants from nearby areas, but they also will lose residents to the development poles. Therefore a net rate of population growth of 4% is assumed for these cities.

As of 1971, the GOI estimated that there were 65,434 housing units in these cities, with overall needs for the 10-year Development Plan of 94,778, or an increase of 140%.

#### 4. Medium Sized Cities

Fourth order of priority goes to some 40 towns in the 25,000 - 100,000 population range, plus larger cities such as Abadan, (1966 population 275,000) and Ghom (1966 population 135,000) for which the GOI has no definite development plans. Their population growth is estimated at 3% per annum. The 1966 census indicated 414,855 families in 289,970 units, a deficit of 124,825 units (1.43 families per unit).

There were an estimated 350,070 housing units in these cities in 1971; planned development is for another 323,993 units, or an increase of 92%.

#### 5. Small Urban Centers

Lowest priority is given the developmental needs of 33 towns with a population of 5,000 - 25,000 and an anticipated growth rate of 3% per annum. In 1966 there were 371,572 families, living in 285,060 units, a deficit of 86,512 (1.3 families per unit). Construction of 253,571 housing units is planned representing a total increase of some 70% over the 1971 estimated total of 345,166.

### D. MARKET

#### 1. Income of Labor Force

Iran's active labor force is estimated at 31% of the population or about 9 million people. Of this figure 46.2% is engaged in agriculture. Industrial employment accounts for 27.1% of which the oil industry employs 45,000

workers. Women comprise less than 10% of the labor force.

Wage rates in Iran are considerably lower than those in the more industrialized countries. Basic wages are usually paid as a fixed amount on a weekly or bi-weekly basis. Piece work is uncommon, except in the textile industry.

The minimum wages for various zones were announced by the Ministry of Labor and Social Affairs on March 4, 1971. The three zones and the wages which were set are as follows:

Zone 1 - Minimum Rls 70/day for unskilled labor

Shemran, Shamrey, Karaj, Resht,

Bandar Pahlavi, Khorramshahr, Shiraz.

Zone 2 - Minimum Rls 65/day for unskilled labor

Qum, Arak, Kashan, Rudsar, Shamsavar

Bandar Shah, Lar, Kerman, Isfahan.

Zone 3 - Rls 60/day for unskilled labor:

East and West Azerbaijan (except cities of Tabriz

and Rezaiyeh), all Provinces in Kerman (except city

of Kerman), all towns in Baluchistan, Sistan,

Kurdistan, Yezd and Kam.

In the Tehran area representative wage rates are as follows:

Non-skilled labor:	\$ 1.00 to \$ 1.40 per day
Semi-skilled labor:	\$ 1.40 to \$ 2.60 per day
Skilled Labor	\$ 2.70 to \$ 4.60 per day
Mechanics	\$ 85.50 to \$160.60 per month
Laboratory Analysts	\$109.10 to \$125.40 per month
Supervisors	\$264.00 to \$396.00 per month
Department Heads	\$528.00 to \$660.00 per month

The Ministry will review equitability of wage scales every two years on the basis of price fluctuations and cost of living index. In November, 1970, new rules were approved to regulate formation of trade unions and to offer the facility for collective bargaining.

The normal work week in Iran is six, eight-hour days or 48 hours. Office workers, however, frequently work less and often only a half day on Thursday. Friday is the day of rest. Overtime is set at 35% above regular wages.

Annual leave for each worker is 12 days per year. Workers' social insurance (Act of 1960) insures workers and provides benefits in case of occupational illness or accident, non-occupational disease and accidents, pregnancy and child-birth, disablement, retirement, marriage and death. The maximum contribution to the fund is 18% of the worker's wages; 13% of it paid by the employer and 5% by the employee.

The Profit Sharing Act of 1963 entitles workers in industrial manufacturing enterprises to a share in net profits up to 20%. Estimated additional allowances and fringe benefits can add as much as 60% to the worker's basic wage.

2. Income Distribution and Housing Need

For purposes of analysis of housing need the GOI has posted five income classifications, based on 1970 income distribution data.

Group I: Annual incomes of less than \$650, representing 25% of the urban population;

Group II: Annual incomes of \$650 - \$1,300 representing 31.5% of the urban population;

Group III: Annual incomes of \$1,300 - \$2,600 representing 30% of urban families;

Group IV: Annual incomes of \$2,600 - \$5,200 representing 11% of urban families;

Group V: Annual incomes of more than \$5,200 representing 2.5% of urban families.

The following table (table I) sets forth housing needs by income category and type of urban area for the 10 - year housing development period.

IRAN: FIFTH AND SIXTH DEVELOPMENT PLANS (1973-82)

TABLE I: TOTAL HOUSING NEED BY INCOME GROUP (1973-82)

	Housing Units Available in 1971	Income Group I		II	III	IV	V	Total	Total GOI-sponsorship
		25,000 r. (\$330)	25-50,000 r. (\$330-650)	50-100,000 (\$650-1,300)	100-200,000 (\$1,300-2,600)	200-400,000 (\$2,600-5,200)	400,000 (\$5,200)		
Development Poles	332,884	141,100	145,000	254,000	198,000	57,000	24,000	821,000	739,000
Large Cities	65,434	16,900	16,000	28,000	25,000	5,000	2,000	94,000	87,000
Tehran	480,513	133,800	128,000	220,000	169,000	43,000	18,000	715,000	652,000
Medium Cities	350,070	61,100	58,000	99,000	76,000	19,000	8,000	323,000	295,000
Small Cities	345,166	45,000	46,000	70,000	62,000	17,000	7,000	253,000	233,000
Total Housing Needs	1,574,067	398,000	395,000	682,000	532,000	144,000	62,000	2,215,000	2,009,000

Total 793,000 units: GOI Direct Construction

Total 1,214,000 units: Mortgage Bank Loan Program

3. GOI Housing Production Strategy

To meet housing needs, the GOI has outlined three basic strategies: a construction program for Group I, a loan program for Groups II and III, and private sector construction for Groups IV and V.

For Group I (less than \$650 a year): Government construction by the Housing Organization of homes priced at 150,000-240,000 rials (\$2,000 - \$3,100) on land provided at a discount by the Housing Organization. Purchasers will be required to pay 10% down. Mortgages will be for a 20 to 25 year term at a subsidized interest rate to the buyer of 2%.

For Group II (\$650 - \$1,300 a year): GOI loans through the Mortgage Bank of Iran and sale of land at a discount for construction by private sponsors of homes costing 320,000 - 380,000 rials (\$4,200 - \$5,000). Purchasers will be required to pay 20% down. Loans will be at a 15 to 20 year term at a subsidized interest rate of 4%.

For Group III (\$1,300 - \$2,600 a year): Mortgage Bank loans and sale of land at a discount. Home prices at 450,000 - 650,000 rials (\$6,000 - \$8,500). Down payments of 30%, loan term 10 to 15 years, and interest rate subsidized at 6%.

For Groups IV (\$2,600 - 5,200 a year) and V (more than \$5,200): Private sector construction of homes without the availability of long-term financing priced at 500,000 to 1,240,000 rials (\$6,500 - \$16,200) with the average approximately 900,000 (\$11,750 for Group IV. 1,750,000 to 2,460,000 rials (\$23,000 - \$32,150) for Group V.

It is the GOI's hope that by providing incentives to the private sector it can increase its participation in providing housing for moderate and low income groups and decrease its concentration on housing for Groups IV and V

from 60% of its total output to 15% during the next few years.

PART III: HOUSING ORGANIZATIONS AND INSTITUTIONS

Major elements involved in public sector housing and housing finance are the Ministry of Housing and Development, organized in 1964, and the following related agencies:

1. The High Council for City Planning
2. The Investment Promotion Section of the Ministry
3. The Housing Organization
4. The Mortgage Bank of Iran.

In addition, a rapidly growing housing finance program is under the Workers Welfare Bank, using Social Security funds under the general supervision of the Ministry of Labor. Other governmental agencies have special mortgage programs for their employees.

The total annual volume of public sector mortgage financing of these agencies has steadily risen over the last few years, from \$71 million in 1965 to \$109 million in 1970.

A. THE MINISTRY OF HOUSING AND DEVELOPMENT

1. The High Council for City Planning has the responsibility for general city planning policy and for the review and approval of the Master Plans of individual municipalities. The High Council is chaired by the Vice Minister of Housing and contains representatives of other interested ministries.

Execution of various aspects of the Master Plans is left to the municipalities under supervision of the High Council.

2. The Investment Promotion Section was organized in 1970 as an integral part of the Ministry and carries out four major functions:

a) Project Preparation of prototype projects (which can be developed by private sponsors). If a sponsor wishes to utilize prototype plans on

his land, he must have available the equivalent of the down payment necessary for the entire project. With this equity he may then obtain a commitment for long-term financing from the Mortgage Bank, a process facilitated by his use of Ministry Plan prototypes. Actual construction is performed by the sponsor, who must assume a one-year obligation for construction defects.

b) Project evaluation is carried out on proposals initiated by private sponsors for projects to be financed through the Mortgage Bank on land to be purchased from the Housing Organization.

c) Planning and Programming of future activities.

d) Investment Promotion and development of sources of long-term mortgage financing.

### 3. The Housing Organization

The Housing Organization is an independent state corporation under the general supervision of the Ministry of Housing. Its capital, currently totaling \$12.6 million, is wholly owned by the GOI.

The purposes of the Housing Organization are:

- a) Construction and sale of housing units;
- b) Construction and management of subsidized rental units for government employees;
- c) Land development;
- d) Consulting engineering services; and
- e) Production of construction materials, primarily concrete products such as blocks, beams, etc.

As the only stockholder, the GOI is represented by the Minister of Housing, who must approve the annual budget and annual financial statement.

Operating controls are the responsibility of a three-man Board of Directors, named by the Decree of the Council of Ministers for a three-year term, one of whom is also designated by Decree as President-Director General.

The Housing Organization has 1,000 employees, about half of whom are technicians, and an additional 150 laborers involved in the production of construction materials.

The Organization has built and sold about 12,000 housing units located in urban areas and in rural areas that suffered earthquake destruction. It has recently started construction of 2,000 low income units in four Development Poles (Ahwaz, Shiraz, Esfahan and Mashhad) as part of the Housing Development Plan. The Organization also builds and manages 500 to 600 rental units a year in outlying administrative centers at subsidized rates to newly assigned government employees.

The Organization's 1970/71 operating budget totaled \$2.6 million. In addition it receives advances from the Plan Organization for construction of specified housing projects and reinvests its own capital.

Almost all of the Housing Organization staff is located in the central office in Tehran. Temporary offices are opened in connection with the construction of specific projects, and some personnel are assigned to provincial offices of the Ministry of Housing to carry out specific tasks.

#### 4. The Mortgage Bank

Organized in 1938 as a direct lending agency of the GOI, the Mortgage Bank derives 60% of its capital from the Ministry of Housing and 40% from the wholly owned GOI Bank Melli, the country's largest commercial bank. The bank operates from 125 locations, including 66 temporary offices and sub-branches.

The Bank's general mortgage program has remained fairly stable during the years 1965-70, amounting to about \$35 - \$37 million per year. Most

of its growth in loans has come from its Savings Fund for Housing Program, which multiplied from \$200,000 to \$7 million during this one period.

a. Ordinary Loan Policy

The earliest, and for some time the only mortgage program in Iran, ordinary mortgage loans from the Mortgage Bank are characterized by low (50%) ratio of loan to value and maximum loan amounts as follows:

To complete construction of a home:	400,000 rials (\$5,230)
To buy an existing home:	250,000 rials (\$3,270)
Home repairs:	100,000 rials (\$1,300)

The legal maximum loan term is 15 years. Interest rates are 12% per annum except for the home construction program where the Bank offers a preferential rate of 10% per annum.

The waiting period for loan applicants may average six months, and it is clear that the Bank's resources are insufficient to meet the great demand.

b. Apartment Loans:

In order to encourage greater housing density, the Mortgage Bank offers a higher loan-to-value ratio (60%), a higher maximum loan and lower interest rates for financing apartments of five or more stories in height. Loan amortization periods, however, are limited to 12 years, thereby offsetting the effect on monthly payments of the lower interest rate.

c. Savings Fund for Housing Program

This is a contract loan program, whereby the Bank commits itself to lend a sum of one and one-half times the amount saved. Under the "lump sum contract" a saver may block his account at the current level and after an 18-month wait receive his loan. Additional savings deposits made during the waiting period do not add to the loan potential and any withdrawal below the contract

savings amount precludes the issuance of the loan.

Under the "regular payment contract" the saver agrees to make regular payments for a period of at least 36 months, at which time he receives his loan.

The interest rate on savings under this program is 4%, compared to 5-1/2% payable on regular savings accounts.

Loan terms under this program are more liberal than under the regular program. The required down payment is 30%, interest rate is 9%, and the maximum loan is 900,000 (\$11,700). As a result, this program is growing rapidly. The Mortgage Bank has a 240 million rial (\$3.1 million) line of credit at 6% with the Central Bank to assure liquidity for this program.

d. Loan Guaranty Program

A borrower who requires a home mortgage in excess of the Bank's maximum loan limitations can obtain a letter of guaranty from the Bank with which he can seek a second deed of trust from a commercial bank. However, the total of the two loans can not exceed 50% of the value of the home.

The second loan is usually for 7 years or less at 12% interest per annum. The Mortgage Bank charges a 2% single payment premium for its guaranty. The borrower makes two separate payments; but if he defaults on his second loan, the Mortgage Bank makes the payment(s) and then recovers the delinquency by whatever means it deems necessary.

e. Special Programs for other Agencies

The Mortgage Bank also administers, under contract, a number of special mortgage programs offered by governmental agencies and state corporations to their employees. Loan funds for this program are made available to the Bank by these employers, who also specify interest rates, down payment and term. The Bank charges an additional 2% interest for servicing these loans.

There were 27 agencies participating in this program during 1971 which accounted for about one-quarter of the Bank's loan activity. Interest rates ranged from 2% - 12%, but the six largest programs (including employees of the Plan Organization, the Tobacco Monopoly, Offices of the Imperial Guard, high-ranking army officers and members of Parliament) representing 70% of loans outstanding carried interest rates of 3% and 4%.

B. SAVINGS AND LOAN SYSTEM

Under Mortgage Bank Sponsorship a system of stock savings and loan associations was started in Iran in 1971. The Mortgage Bank can purchase stock and make both short and long-term advances. The Central Bank can also make 10 - year loans at 5% interest in an amount equal to one and one-half times the amount of the association's capital stock. The minimum capitalization required for an association varies. In Tehran, 300 million rials are required. In southern rural areas, 80 million rials are required.

Creation of a Savings and Loan System in Iran was proposed by A. I. D. pursuant to studies made in 1963 and 1964, and four local participants received U. S. training in 1965. Short-term technical assistance from an executive of the U. S. Federal Savings and Loan Insurance Corp. participated in operational implementation of the program.

Stock for the first association in Tehran was sold quickly and other associations were subsequently started in Esfahan and Ahwaz. The Mortgage Bank is transferring its Savings for Housing accounts to new associations, as they are formed.

On November 14, 1971, the cabinet of the Imperial Government of Iran approved rules and regulations for the Tehran Savings and Home Loan Association. According to these rules the association can loan money to its members only. The maximum amount of loan for a home purchase is 1,000,000

rials (\$13,000) while loans for home repairs are limited to 100,000 rials (\$1,300). The maximum loan is 70% of the cost of the property. Monthly Amortization periods of these loans are determined in accordance with each loan agreement, but the maximum amortization period is limited to 15 years.

Mortgagors may transfer title to their property provided the transferee is also a member of the association and at the time of transfer the mortgagor has fulfilled all of his obligations to the association. Upon transfer of the title, the transferee accepts all liabilities and obligations of the mortgage.

The interest rates on loans extended by the association are determined by the association in accordance with the schedule of interest rates approved by the Mortgage Bank of Iran (currently approximately 12%).

It is expected that the rules and regulations of the Tehran S & L Association will provide the basis for lending transactions by other similar associations.

There are two types of S & L association membership:

a. Founding members - shareholders, who can be elected as members of the Board of Directors.

b. Depositors - shareholders, who are receiving dividends but cannot be elected to the Board of Directors.

The elected Board of Directors has to be approved by the Government.

The interest rate on deposits, which has been about 1.5% above commercial rate, is regulated by the Central Bank of Iran.

### C. HOUSING COOPERATIVES

In accordance with legislation passed in June, 1971, the Mortgage Bank plays the central role in financing housing cooperatives, although the Cooperative Societies receive their charter pro forma from the

Ministry of Labor, and must register with and have their By-Laws approved by the Central Cooperative Organization of the Ministry of Cooperative and Rural Development.

By the end of 1971, approximately 10,000 persons, the majority of whom are employees of governmental agencies, had organized cooperative housing associations with about \$1 million in paid up shares. The Mortgage Bank helps cooperative societies organize and provides a form of By-Laws.

The Bank has imposed income ceilings according to family size for membership in housing cooperatives towards assuring that benefits go to lower-income families. The majority of families thus far involved fall in Income Group II (\$650 - \$1,300). The Bank requires that mortgage payments do not exceed the monthly rent the family is now paying and that membership be limited to non-property owners. A 20% down payment is required.

At the present time, the Mortgage Bank is financing construction by the Housing Organization of a 500 - unit Teachers Union cooperative housing project in Tehran with a loan of \$1.3 million.

Housing cooperatives also are sponsored by the Workers Welfare Bank, including loans of up to 75% of value at a 10 year amortization period for construction of industrial estates.

Additional loans are planned for housing cooperative apartment projects at still undetermined but more liberal terms and subsidized interest rates. The first of these will be a 1,000 - unit apartment project in Baudar-Shapair.

#### D. WORKERS WELFARE BANK

The Workers Welfare Bank was founded in 1961 with capital of \$5.2 million from the Social Insurance Organization (SIO). Entirely owned by SIO, it benefits from the requirement that SIO deposit all of its net income in

the Welfare Bank, of which 15% must be in time deposits. The Bank pays 7% on these time deposits, compared to the rate of 7-1/2% paid by other banks on comparable maturities.

The Welfare Bank's charter authorizes it to make loans to workers and to workers cooperatives. It assists workers housing organizations, and maintains workers savings accounts. The Welfare Bank also serves as a fiduciary to the Social Insurance Organization and engages in regular banking operations.

Because of the growth in income of the Social Security System, resulting from economic expansion and increased coverage, the Welfare Bank is the fastest growing segment of the Iranian housing finance sector. Total outstanding loans have risen from 1,100 to 6,000 million rials (\$14.4 to \$78.4 million) from 1965-71, of which housing loans represented \$70.6 million in 1971.

The following tabular breakdown of the Welfare Bank's housing loan program shows that, generally speaking, its loan maxima, loan - to - value ratio and interest rates are more generous than those of the Mortgage Bank but that the amortization period of its loans are more restrictive.

Workers Welfare Bank Mortgage Loans (3/20/71)

<u>Type of Loan</u>	<u>Maximum Loan</u>	<u>Loan- Value Ratio</u>	<u>Interest</u>	<u>Term</u>	<u>Outstanding Balance (000,000)</u>
Workers	250,000 rials (\$3,250)	60%	9%	8 yrs	2,827 rials (\$37.0)
Employees Partially Insured / 2	500,000 rials (\$6,500)	50%	11%	6 yrs	1,967 rials (\$25.7)
Other	-	40%	12%	8 yrs	-
Ministry 3/ of Labor	950,000 rials (\$12,400)	85%	8.5%	12 yrs	578 rials (\$7.6)

- 1/ If loans are made to employees for construction of workers apartments, term is 10 years.
- 2/ Other employees, representing mainly government employees under their own agency retirement systems, represent by far the major users of these loans.
- 3/ Under terms of contract the Ministry provides funds through 15 years time deposits on which the Bank pays 6.5% interest. The loan can be 100% of value if guaranteed by cash value of life insurance.

The Bank has organized its own construction company, the Iran Housing Company, as a parallel to the Housing Ministry's Housing Organization. The Bank also encourages cooperative housing.

E. OTHER AGENCIES

A number of other public and semi-public agencies administer special mortgage programs for their employees, some of them quite substantial. For example, the third largest mortgagee in the country in recent years, has been the National Iranian Oil Co. Its loan volume for the fiscal year ending March 20, 1971, was in excess of \$12 million.

The GOI-owned Bank Melli, the largest commercial bank in the country, also administers a program for its own employees and those of the Central Bank.

F. COMMERCIAL BANKS

The commercial banks make a significant number of housing loans involving down payments of one-half to one-third of the selling price of the home. Such loans are made mostly for upper-income families at amortization periods of 3 to 10 years.

The use of individual mortgages, particularly in the case of higher priced homes, is not common in Iran, because of the high cost of registration of mortgage liens (2% of total amount of loan and interest). Frequent practice is for the home buyer to take a personal short-term loan to secure the necessary funds for a house purchase. Reasonably assured employment and sufficient income is generally considered as acceptable security.

As previously noted, commercial banks also are the source of funds for the Mortgage Bank's guaranty program of second loans on housing.

There is a network of 6,000 commercial bank offices in Iran. Through these offices the commercial banks have been able to attract a considerable number of small savings accounts. Interest paid by the banks is limited to 4.5% (1% less than that paid by the Mortgage Bank on regular accounts).

PART IV: TECHNICAL REPORT

A. COUNTRY BACKGROUND

1. Geography

a) Location: Iran is a part of the Iranian Plateau, which consists of Iran, Afghanistan and West Pakistan. Situated in the North Temperate Zone, Iran is bordered by the USSR and the Caspian Sea on the north, Afghanistan and Pakistan on the east, the Persian Gulf and Gulf of Oman on the south, and Iraq and Turkey on the west. It has an area of 628,000 square miles and a population of 30 million, 57% rural.

b) Relief: The average altitude of Iran is 3,000 feet above sea level. High mountains cover half of the total area forming two ranges: Alborz across the North and Zagros stretching from North-West to South-East. The highest peak in the Alborz range is Damavand (18,600 feet). Taftan-Kuh, the well-known volcano, is located in the Eastern region of Iran.

c) Rivers: The rivers feeding into the Caspian Sea are: Aras, Sefid-Rud, Laraz Talar, Nika, Gorgan, Atrak; Feeding into the Persian Gulf and Gulf of Oman are: Zab, Alvand, Dialeh, Karkhen Karoun, Jarahi, Hendijan. Feeding into the interior lakes and swamps are: Nazlou-Chai, Aji-Chai, Simineh-Rud, Zarineh.

d) Lakes: Lake Rezayieh in Western Azerbaijan is 130 km long, 50 km wide and not more than 20 m deep. Highly salty water. Howze-Sultan Lake: 20 km long, 15 km wide between Tehran and QUM. (Salt.) Hamoun Lake: East of Sistan, partly forming the border of Iran and Afghanistan. 60 km long, 30 km wide, not more than 10 km deep. Bakhtegan Lake: The biggest lake in Fars, but not deep and highly salty. Gav-Khuni: Near Isfahan, 45 km long, 35 km wide.

e) Climate: Most parts of the plateau are dry (annual rainfall is less than 2.1 inches) with very little humidity. The Caspian region has a very high humidity, an annual rainfall of 79 inches, and a rich tropical-like plant growth.

Temperatures on the plateau in summer reach 110 degrees F. Temperatures in winter fall to 30 degrees F. with frequent rain and snow.

f) Natural Calamities: Floods and earthquakes bring loss of life and property practically every year. Major earthquakes registered in recent years:

1952 Region Torud - 971 deaths  
1956 Various Points - 50 deaths  
1957 Various Points - 1800 deaths  
1958 Navahand - 191 deaths  
1958 Lar - 450 deaths  
1962 Qazvin - 15,000 deaths  
1968 Khorasan - 10,000 deaths  
1970 Khorasan - 175 deaths

## 2. Political Organization

### a) Form of Government

Iran (referred to as Persia prior to 1935) played an integral role in the development of civilization. Its culture and civilization date as early as 3000 years B.C.

Since 1906 the Iranian Government has been a Constitutional Monarchy, consisting of independent legislative, executive and judicial branches.

The House of Representatives, the Majlis, consists of 220 elected members and is the highest law-making body. The Senate has 60 members, half appointed by the Shah and the remainder elected - 15 from Tehran and 15 from the rest of the country.

The Shahanshah Mohamed Reza Shah Pahlavi is the Supreme head of all the three branches of the Government, and without his assent no bill becomes law. He took office in 1941 succeeding his father, Reza Shah the Great.

Coordination of public investment has been entrusted to the Plan Organization, established for that purpose in 1949.

b) Political Divisions

Iran is divided into 14 Ostans (Provinces) and 7 Chief Gubernatorial Regions: (Governorates).

<u>Province</u>	<u>Capital City</u>	<u>Population (1966)</u>
Tehran	Tehran	4,951,375
Gilan	Resht	1,574,128
Mazandaran	Sari	1,843,328
E. Azerbaijan	Tabriz	2,604,593
W. Azerbaijan	Rezaiyeh	1,080,659
Kermanshah	Kermanshah	850,200
Khuzistan	Ahwaz	1,733,043
Fars	Shrsz	1,591,149
Kerman	Kerman	772,710
Khorasan	Meshed	2,575,063
Isfahan	Isfahan	1,706,759
Beluchistan & Sistan	Zahedan	500,766
Kurdistan	Sanandan	625,036
Oman Sea Islands & Ports	Bandar Abbas	336,132
<u>Chief Gubernatorial Regions</u>	<u>Capital Town</u>	<u>Population (1966)</u>
Persian Gulf Islands & Ports	Bushire	251,998
Bakhtiari & Chahrmahal	Shanrkord	301,918
Bovir-Ahmadi & Sardair		
Kohgiluye	Yesuj	185,244
Semnan	Semnan	206,837
Hamadan	Hamadan	888,663
Luristan	Khorramabad	762,818
Ilam	Abadan	<u>176,290</u>
Total Population (as of November 1966)		25,488,699

3. Population

a) <u>Population Trend (1967)</u>	<u>%</u>	<u>1971</u>	<u>%</u>	<u>Increase</u>	<u>Percentage Increase</u>	
Total Population:	26,676,000	100	30,329,000	100	3,653,000	14%
Urban Population:	10,401,000	39	12,900,000	43	2,499,000	24%
Rural Population:	16,275,000	61	17,429,000	57	1,154,000	7%

The present population growth rate of 3% per annum is considered by the GOI as excessive. A family planning and population control program was undertaken in 1970 to reduce average population growth to 1% per annum.

b) Age-Group Distribution (1970)

	<u>Urban</u>	<u>Rural</u>	<u>Total</u>
0 - 11 years (non-working)	5,029,000	7,163,000	12,192,000
12 - 64 years	7,412,000	9,482,000	16,894,000
65 - over	<u>459,000</u>	<u>784,000</u>	<u>1,243,000</u>
	12,900,000	17,429,000	30,329,000

c) Average Family Size (1966)

	<u>Urban</u>	<u>Rural</u>
1956	4.7	4.8
1966	4.9	5.0

d) Registered Births and Deaths:

	<u>URBAN</u>		<u>RURAL</u>		<u>TOTAL</u>	
	Births	Deaths	Births	Deaths	Births	Deaths
1962/63	400,781	60,054	712,411	89,865	1,113,192	149,919
1967/68	358,766	68,621	660,607	110,538	1,019,373	179,159

4. Economy

a) General Trend

The years of 1970/71 showed continued progress. GNP and National income both increased by 10% at constant prices. New capital formation recorded a 9% growth. Exports showed a 14% overall growth, with industrial exports experiencing a 51% growth.

b) Industry

The industrial sector registered a growth rate of 13% during 1970, valued at 106.6 billion rials (\$1.4 billion) at constant prices. This took place mainly in the petrochemical, automotive, machine making, electrical and metallurgical industries. During the same year 115 permits were issued to industrial enterprises having a total investment of some 12 billion rials (\$157 million). In addition, 387 permits authorized the establishment of new industrial concerns with invested capital of 22 billion rials (\$274 million). Once in operation, these new industries will employ 13,000 industrial workers.

c) Gross National Product: (\$000,000)

	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>
At constant prices	6,542.6	6,840.0	7,696.3	11.400
At current prices	7,513.3	8,240.0	8,400.0	12.000
Per Capita (dollars)	284.6	303.3	310.2	400
Increase at current prices	12%	9.8%	10%	20%

(Source of 1970 data: Economic Report of Prime Minister to Parliament)

d) Price Index: (1958 = 100%)

	<u>1968</u>	<u>1969</u>
Local Products	111.8	116.0
Imported Goods	112.7	120.2
General Index	110.9	114.7
Food	127.7	130.9
Clothing	111.7	114.1
Housing	108.2	121.4
General Index	120.7-	125.0

e) Balance of Payments (\$000,000)

<u>Revenue</u>	<u>1968</u>	<u>1969</u>	<u>Expenses</u>	<u>1968</u>	<u>1969</u>
Oil Revenues:					
Consortium	817	915	Imports	1,529.0	1,756.0
Other Oil Cities	36	50	Services	231.0	247.0
Transfers:			Settlements		
Consortium	83	90	of Loans	156.0	241.0
Other Oil Cities	22	44			
Exports:	208	231			
Services	159	188			
Foreign Loan and					
Investments	<u>496</u>	<u>570</u>			
Total	1,821.0	2,088.0	Total	1,916.0	2,244.0
Balance .....				(-95.0)	(-156.0)

f) National Budget (\$000,000)

Revenue	1968	1969	Expenses	1968	1969
Oil Revenue	824	1,209	General Budget	1,224	1,634
Income Tax (Direct)	183	226	Development	997	1,284
Income Tax (Indirect)	195	196	Budget		
Customs Revenues	296	382	Budget of Gov.	1,135	1,429
Other Revenues	213	204	Controlled enterprises		
Revenues of Gov.					
Controlled enterprises	1,135	1,277			
Total	2,846	3,494	Total	3,456	4,347
Balance				(-610)	(-853)

g) Banking

Iran's first monetary and banking act was approved in 1960 and extended in 1965 and 1966. It established the Central Bank of Iran, along with the Monetary and Credit Council to formulate and enforce monetary and credit policies affecting both the private and public sectors of the economy.

In 1970 there were 4,800 banking units operating in Iran with combined assets of 405.9 billion rials (\$5.3 billion).

Bank interest rates are 10 - 12%.

Discount Rates of Central Bank	1968	1969
Ordinary Discount	7%	8%
Special Export Discount	3%	2%

<u>Money Supply</u> (\$000,000)	<u>1968</u>	<u>1969</u>
Notes and coins in circulation	\$562.0	\$625.9
Demand Deposits	<u>1,138.8</u>	<u>1,230.7</u>
Total	\$1,700.8	\$1,856.6
<u>Credits of the Banking System</u> (\$000,000)	<u>1968</u>	<u>1969</u>
Credits to the Private Sector	\$2,229.3	\$2,626.0
Credits to the Public Sector	<u>1,174.7</u>	<u>1,494.0</u>
Total	\$3,404.0	\$4,120.0

B. HOUSE DESIGN AND CONSTRUCTION

1. House Design

The traditional clan-family structure influenced the initial and still preferred style of living of the Iranian people. Individual one, two and three room houses built in the form of a family compound, separated from the outside by perimeter walls and expandable within itself to accommodate a growing family, has been the traditional concept of accommodation. Although the initial reasons for such an approach have long disappeared, the rural Iranian family still looks for a single story family house with two or three bedrooms and a walled courtyard to maintain family privacy and isolation.

The GOI has adopted a new policy in recent years to break traditional living habits and to stimulate the development of more modern living styles. Parallel with this policy, construction of multi-family multi-story apartments is being encouraged among private housing developers and is being carried out in government-sponsored projects. The higher costs of such construction, as opposed to the costs of single family detached homes, are being offset by various subsidies, such as low cost or free land, low interest rates on loans and reduced costs of urbanization.

Apartments in these modern units generally vary from one to

four bedrooms with a kitchen, living-dining room and one or two bathrooms. Bathrooms are equipped mostly with shower stall, lavatory and often Turkish-type toilet.

Room sizes for government-sponsored projects generally exceed the room sizes of comparable projects in the U. S. Considering the size of an average Iranian family and that bedrooms generally accommodate more than one person, the larger rooms are more than justified.

## 2. Construction Materials

The construction materials generally used are the traditional materials. Most of these materials are available from local sources.

Brick, clay tile, concrete and light-weight steel are mostly used in structures of up to four stories. Reinforced concrete, small steel profiles and brick or clay tile (as fillers) are used in higher structures. All of these materials are available in sufficient quantities from the local production. Lumber is not used in home construction because of a very limited domestic supply and its poor quality. Use of controlled quantities of imported lumber is limited to doors, shelving, cabinets and various decorative features.

Imported materials consist of certain types of pipes, plumbing fixtures, electric wires and fixtures, paints, various luxury items and heavy profiles of structural steel for special structures.

Interior wall and ceiling surfaces almost always receive a plaster or ceramic/mosaic tile finish. Exterior wall surfaces are still often stuccoed, although exposed faced brick is becoming more and more common. Flooring materials are mostly ceramic or vinyl tile, linoleum or finished and painted concrete. Wood flooring is being used only in higher priced units.

C. CONSTRUCTION INDUSTRY

1. Construction Contractors:

There is a substantial number of construction companies in Iran, particularly in the urban areas. However, the decentralization of Iranian industry and the development of new industrial centers in rural areas has attracted the construction industry to new locations. Further movement of the construction industry to new locations may be achieved in order to accommodate the new demands of decentralization in view of the available labor supply and reasonably well developed transportation systems.

a) The technical and financial capability of construction contractors:

The Plan Organization, in accordance with Article 36 of the Fourth Plan Law (approved by Parliament in 1968) assumed the responsibility for grading construction contractors according to their financial status, equipment, technical personnel and quality of their past performances.

The list of approved contractors is kept by the Plan Organization and is periodically updated. It is the GOI's practice that only contractors appearing on this list are invited to bid or are eligible for Government construction contracts.

There are few foreign contractors in Iran. The majority of them have been engaged in industrial or heavy engineering projects and their participation in projects is generally tied to either foreign investments or loans.

2. Cost Control:

Estimating and bidding procedures for all Government projects, as well as wage rates and material unit prices have been established by the

Government and are strictly followed.

An official Government document lists acceptable materials and the amount of manhours considered necessary for each individual type of job in all construction activities. In other words, cost estimates consist of a quantity take-off to which approved unit prices are applied. Unit prices include contractor's overhead and profit. The sum total of construction costs resulting from such estimates govern the maximum allowable cost. Bidding by qualified bidders is limited to such maximum allowable cost and the capability of the bidder to deliver specified work at the approved price.

Construction contracts follow the prescribed form developed and approved by the Plan Organization. The only variation may occur in the "Special Conditions" section in order to accommodate the individual characteristics of each project.

Through various protective covenants generally incorporated in the contract document, the Government or its representative may reduce, expand or otherwise change the extent of construction if beneficial to the Government or deemed necessary in relationship to the contractor's performance.

Progress payments to the contractor are based on work in place which is first measured, calculated and approved by the resident inspector and, in most cases, checked and authorized by his supervisor. Such payments are usually made at a rate of 80% of the total approved amount. The 20% retention is held for a period of time which may vary from three to six months. The retained amount is released to the contractor following certification by the construction inspector and his supervisor that the work has been fully completed, that defects have been corrected and that the work meets the requirements for acceptance.

3. Architects, Engineers, Technical Consultants:

Local consulting, engineering and architectural firms are established in all major Iranian cities. Generally, the quality of their work is outstanding. Most of the principals and executive officers of these firms were trained in foreign colleges (England, Germany, France, Switzerland, and the U.S.). A considerable number of these professional people have practiced abroad. Similar to the requirements for construction contractors, the Plan Organization maintains a list of approved engineering and architectural consulting firms, their qualifications and performance grading. It is customary that consultants for all Government projects are selected by the Plan Organization.

D. CUSTOMARY UTILITIES

1. Potable Water:

Practically all of the presently built housing units have piped water to kitchen sinks and bathrooms. In Tehran and many of the larger cities, the municipal water supply is potable. The GOI has a program to construct water treatment systems in all urban centers. In the urban areas, the water is mostly from the public system while in the rural areas deep wells have to be drilled and water is rather scarce.

2. Electricity:

Electric power generation is in excess of present consumption and the electrification of the entire country has reached an advanced stage.

3. Gas:

Bottled gas is commonly used for cooking in urban areas and is in sufficient supply at low cost.

4. Sanitary Sewers:

Facilities for sewage disposal vary with the location. Generally

all systems are rather inadequate compared to U. S. standards with the exception of the septic tanks used in higher priced single family residences.

A central sewage treatment facility is non-existent, even in the capital city of Tehran. Systems mostly in use are main collectors which discharge directly into rivers or lakes, drilled collection pits for several units of houses or the use of deep pits for individual houses of lower cost.

However, soil composition and a very low ground water table make these provisions effective although these systems are not the most desirable.

Government authorities are now recognizing the necessity for improved sanitary systems. Some of the new larger housing projects, such as the projects in Arak and Tabriz, recently authorized by A. I. D. will be provided with modern sewage treatment facilities.

5. Storm Sewers:

Due to the limited amount of rainfall in most parts of the country, rain water is carefully collected wherever possible for storage or for irrigation use. Underground irrigation canals have been used in many parts of Iran for centuries.

6. Telephone System:

The 1972 estimated number of telephones in Iran is 530,000, consisting of a modern and mostly automatic telephone network. All areas of the country are now connected by telephone and the network is being steadily expanded as the demand grows. There are presently 58 exchanges in Iran.

E. AVAILABILITY OF CONSTRUCTION MATERIALS

1969-70 Domestic Industry Output of

Major Construction Materials

Bricks	3,900 million units
Glazed Tile	100 million units
Glass 2 and 3 m/m	22,000 tons
Cement	2,286 thousand tons
Lime	100 thousand tons
Household Heaters	126 thousand units
Household Coolers	50 thousand units
Water Heaters	46 thousand units
Gas Coolers	170 thousand units
Paints	13,461 tons
Refrigerators	177,454 units
Reinforcing Bars	400,000 tons
Copper	3,000 tons

Representatives of the Ministry of Housing have stated that possible shortages of cement and steel are the only inhibitions to greatly increased housing production. Production of cement is currently at 315 million tons a year, and is expected to increase to a capacity of 5.5 million tons a year within three or four years. Construction of major dam projects is scheduled to end in 1972, thereby releasing a substantial amount of cement production for other construction.

Construction of a new steel mill is expected to add 650,000 tons a year to production in two or three years. Overall steel production is scheduled to increase to two million tons a year during the next Development Plan.

The new aluminium reduction plant, scheduled to be in full operation in two years, will make possible the fabrication of windows and door frames. This will reduce the need for imported wood products for this purpose.

In general it may be concluded that the planned increase domestic production of construction materials will provide sufficient materials for the proposed increase in home building.

F. HOUSING CONSTRUCTION LABOR

1. Employment in Housing Industry

<u>Year</u>	<u>Men</u>	<u>Women</u>	<u>Total</u>
1956	334,318	1,436	335,754
1966	507,703	2,075	509,778

2. Availability of Construction Labor

A sufficient, even excessive, supply of unskilled and semi-skilled labor is supported by GOI statistics and surveys. A temporary shortage of skilled labor may from time to time be a problem in certain locations.

The majority of construction labor is considered semi-skilled. The GOI has initiated a nationwide, large-scale vocational training program as part of the current Development Plans to improve construction skills. However, physical inspection of the various projects currently under construction or completed would indicate quality work. This can be attributed to the traditional skills of Iranian workers in basic construction work and to effective supervision by well trained technicians.

G. CONSTRUCTION COST INDICES

1. Cost per Square Meter of Housing Construction: (RIALS)

<u>Year</u>	<u>Mud &amp; Brick</u>	<u>Brick &amp; Wood Beams</u>	<u>Brick-Iron Beam</u>	<u>Other Types</u>
1967-68	797	1,657	2,468	3,200
1968-69	766	1,622	2,532	3,112

2. Wholesale Price Index for Building Materials:

<u>1958=100%</u>	<u>1968</u>	<u>1969</u>	<u>Growth Rate</u>
Building Materials	95%	108.9%	14.6%
Non-Metal Materials	92.7%	95.6%	3.1%
Metal Materials	101.2%	145.0%	43.3%

3. Wage Index for Construction Labor:

<u>1958=100%</u>	<u>1968</u>	<u>1969</u>	<u>Growth Rate</u>
Construction Labor	128.0%	146.2%	14.2%
Bricklayers	112.4%	122.3%	11.2%
Unskilled Labor	139.4%	166.7%	19.6%

H. LAND

The "White Revolution" and the Land Reform Act of January, 1962 (as amended) eliminated the vast land holdings of feudal landlords. Excess land was purchased by the government and a part distributed among individual farmers.

1. Urban Land Ownership

GOI urban land policy provides for government ownership of all unclaimed, undeveloped land in order to assure proper development. Within a 30 km radius of each city, land is owned by the Housing Organization. Unclaimed land outside this radius is owned by the Ministry of Agriculture and Natural

Resources, who is empowered by decree to transfer tracts of up to 10 ha. in size to the Housing Organization.

Additional undeveloped land is owned by Municipalities and by religious organizations. Religious organizations, however, can only dispose of their land by lease-hold, not by sale.

The Housing Organization controls the sale and lease of all undeveloped urban land, including that owned by municipalities and religious organizations. About 50% of its holdings are within present municipal boundaries, and the GOI authorizes the expansion of municipal boundaries to keep pace with development.

Litigation to clear title from the final vestiges of customary claims has been completed for about one-third of the Housing Organization's present holdings and is before the courts for the balance. The Housing Organization does have clear title to 90% of the land required for the initial three-year program of 30,000 units.

## 2. Urban Land Prices

Land prices are high and have been increasing as a result of urban growth. This has been accompanied by considerable speculation.

The Housing Organization sells land for development (or authorizes the sale and/or leasing) at preferential prices to the following:

a. Housing co-operatives, consisting of seven or more persons organized in accordance with Iranian law, may purchase land at 50% of the fair market value.

b. Developers of housing for moderate income families (Group II and III covering annual incomes of \$650 to \$2,600 and representing 61.5% of the country's population) may purchase land at 10 to 25% off the fair

market values, or in some cases at a discount of 50%.

Land is also provided to industries for workers housing on a 20-year leasehold basis renewable up to 99 years.

GOI sources indicate that the cost of land for the planned 30,000 unit program would be approximately \$7 per square meter.

3. Land Bank:

The Housing Organization operates as a land bank, purchasing land for future development. Although it subsequently sells its land at a discount, the rise in land prices is such that this activity has netted a surplus.

A recent legislative proposal would permit the Housing Organization to exercise the right to eminent domain at the previous year's fair market value, in an attempt to reduce speculative land profits.

I. MINIMUM CONSTRUCTION STANDARDS

The Ministry of Housing has established the following minimum standards and prices for construction of houses for the five income categories set forth in the Housing Plan.

	<u>I</u>	<u>II</u>	<u>III</u>	<u>IV</u>	<u>V</u>
<sup>2</sup> M /person	10-12	13-15	16-22	23-28	30-35
<sup>2</sup> M /HU(5 people)	50-60	65-75	80-110	115-140	150-175
Total Construction Area	55-66	75-85	90-125	130-155	170-200
No. Stories	4	5	5	5-9	9-15
Construction Material	local (brick)			re-enforced concrete	
F.A.R.	70-90%	80-90%	90-100%		
Construction Cost/M <sup>2</sup> (rials)	2,200- 2,800	3,000- 3,200	3,500- 3,700	4,700- 5,700	7,000- 9,000
Site Development per M <sup>2</sup> Building	500	800	800	1,000	1,000
% Land Cost of TDC	10%	10-15%	15-20%	20-25%	25%
*T.D.C./M <sup>2</sup>	3,000- 4,600	4,200- 4,600	5,000- 5,400	7,000- 8,000	10,300- 12,300

\* include 10-15% builders profits -